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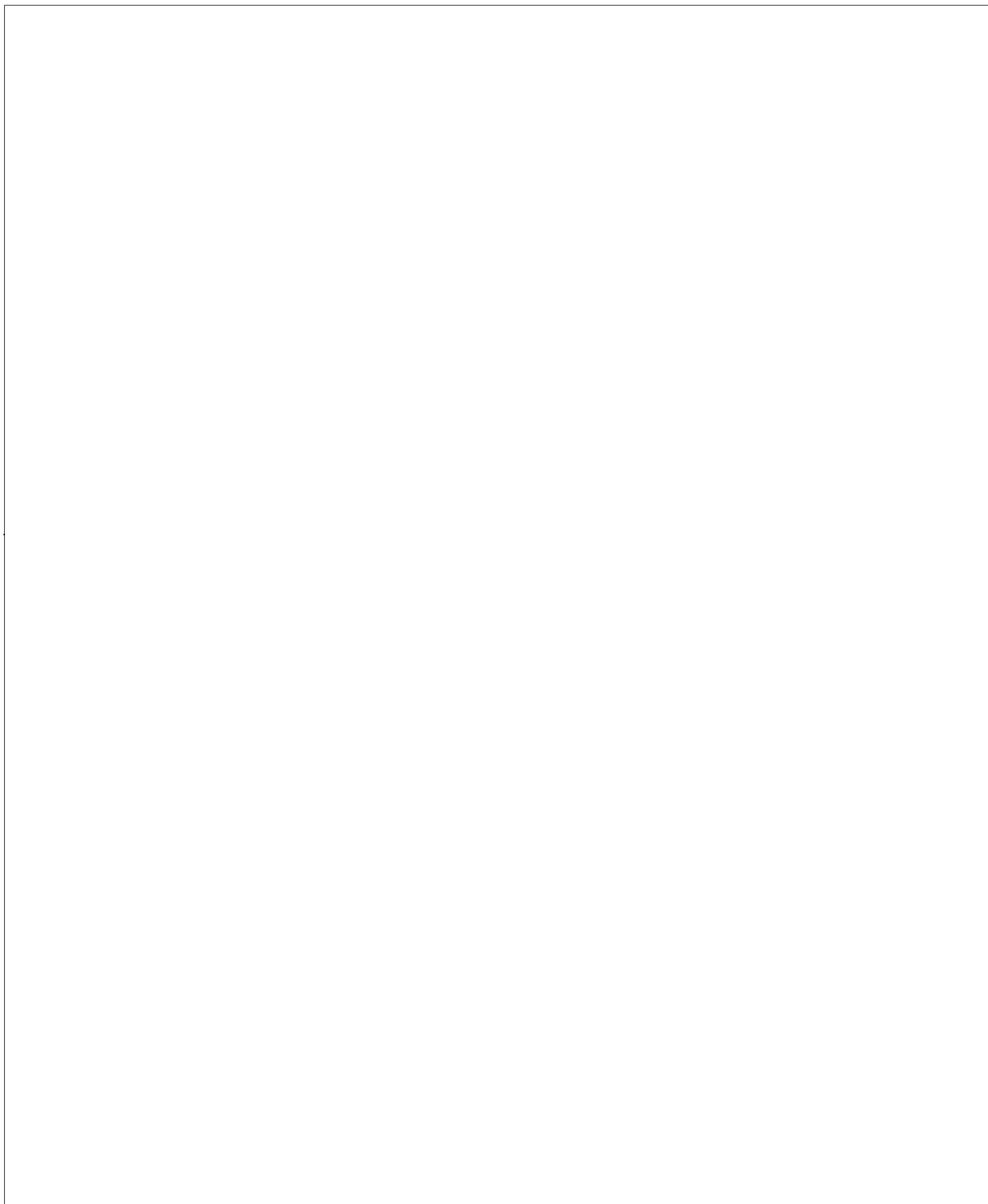
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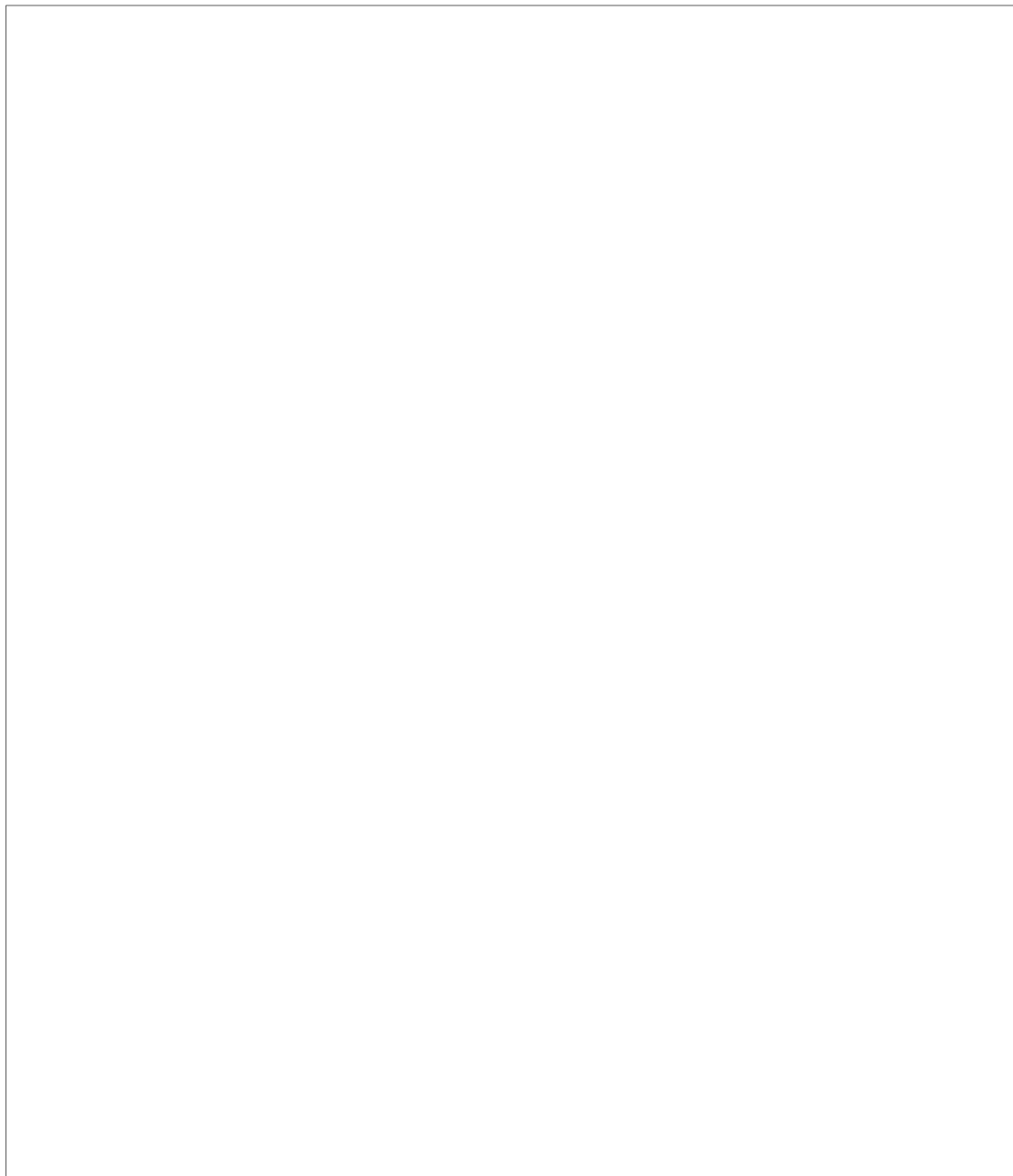


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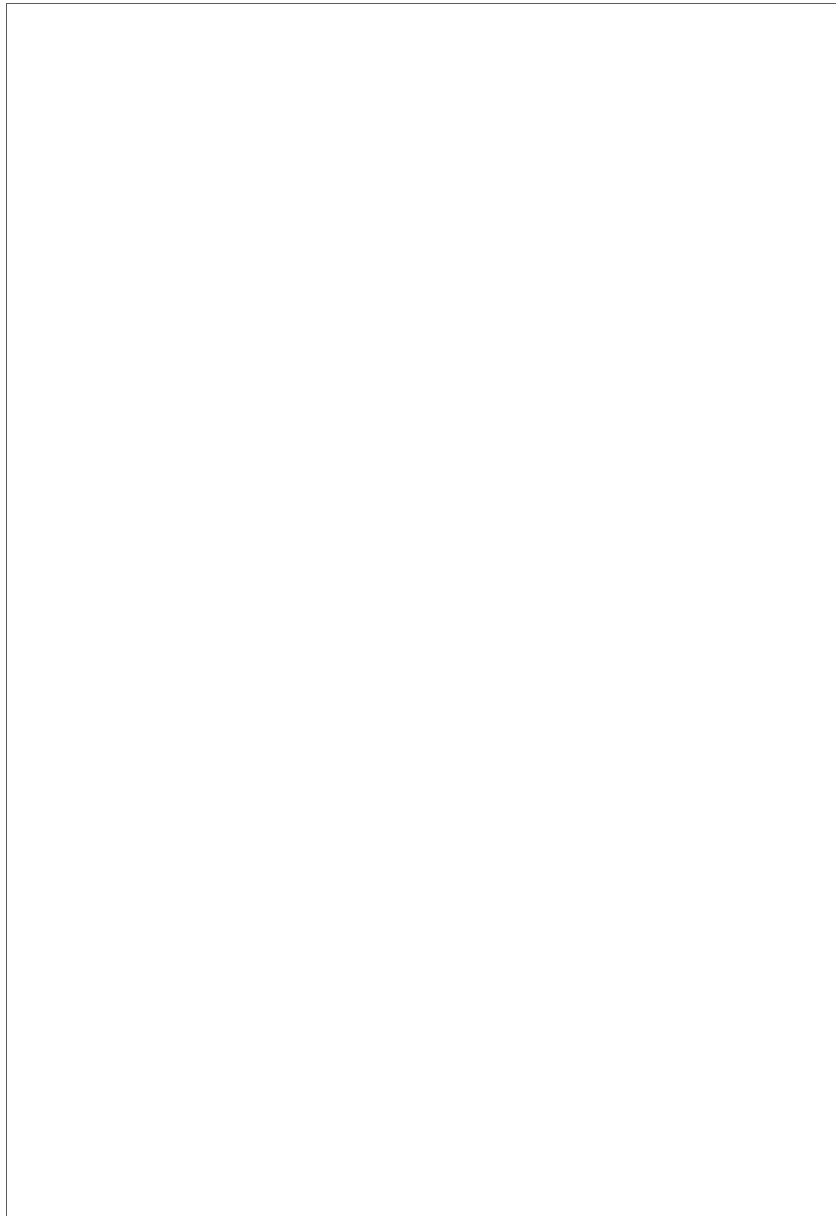
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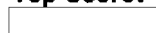
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Director of
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National Intelligence Daily

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PHILIPPINES:

Aquino's Emerging Campaign Strategy

Corazon Aquino is adopting a campaign strategy that portrays her as the only moral alternative to President Marcos and traditional machine politics, while undercutting opposition support for Salvador Laurel, the other leading opposition contender. []

Although Aquino has not yet declared her candidacy, her supporters announced on Thursday a coalition to manage her campaign. The coalition—called LABAN after a party founded by her late husband Benigno Aquino—contains a wide spectrum of opposition groups ranging from a moderate faction of the Liberal Party to the Communist-controlled BAYAN Party. []

Aquino is also taking political stands calculated to dissociate herself as far as possible from Marcos and Laurel. LABAN yesterday published what it describes as its "minimum program of government," calling for a new constitution, removal of US bases, and a nonaligned foreign policy. []

Comment: Aquino's supporters undoubtedly formed their coalition in the hope of further reducing Laurel's political support—suggesting that compromise for the sake of unity is increasingly unlikely. In the meantime, Aquino's hard-hitting approach has convinced many opposition leaders that she is their best hope of defeating Marcos, and support for her candidacy continues to build. []

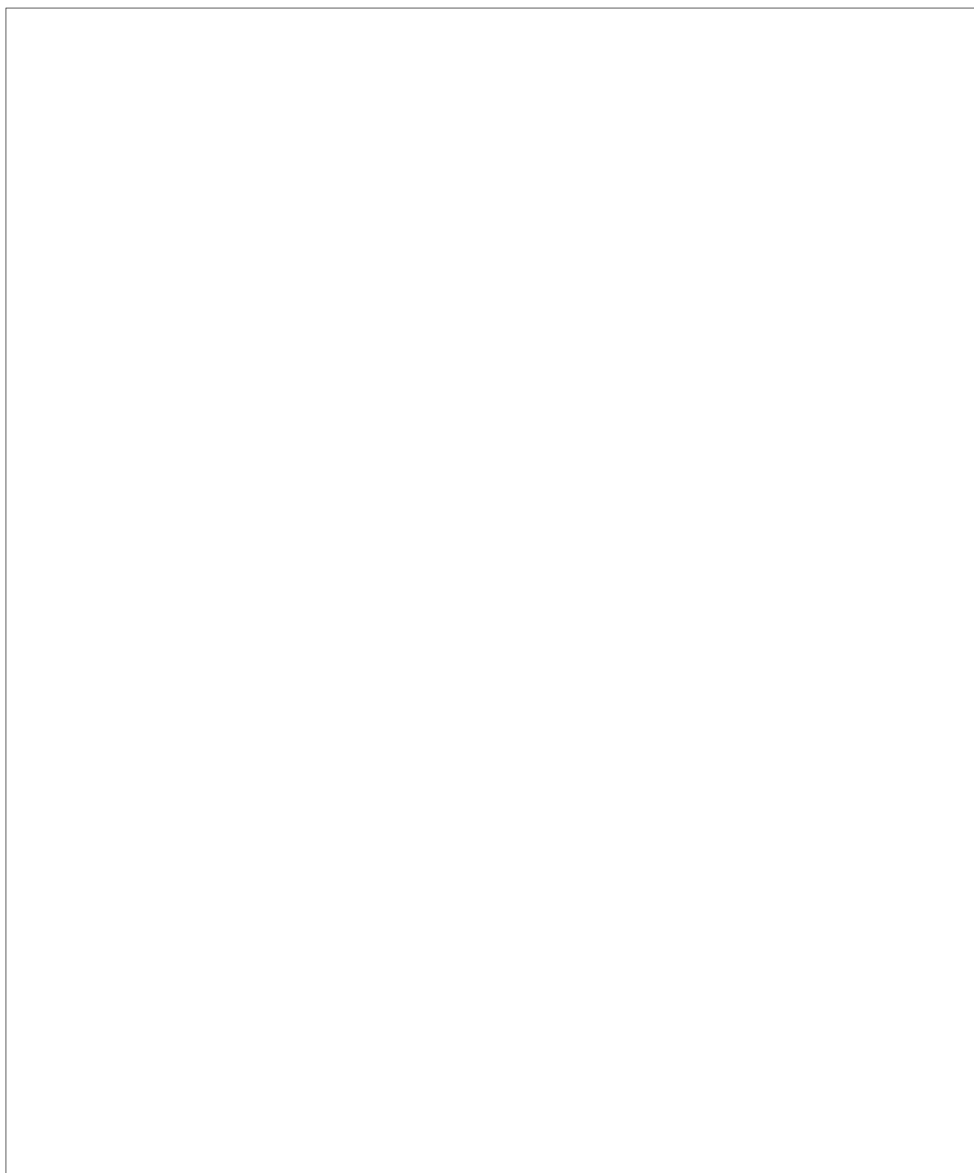
Aquino has claimed that Laurel is too morally tainted to be her running mate; Laurel's camp countercharges that Aquino is a "closet Communist" because of her association with leftist groups. It also says that her campaign will be manipulated by her cousin, Eduardo Cojuangco—a close associate of Marcos's. If this mudslinging between the opposition's two candidates continues during the campaign—scheduled to start officially on 11 December—it may eclipse their efforts to discredit Marcos. []

Even if Aquino succeeds in virtually eliminating Laurel's chances, or if a united ticket emerges, the loss of valuable campaign time and resources weakens her candidacy even before she takes on Marcos. In any case, Aquino's platform is likely to give Marcos some opportunity to paint her as too radical to lead the country. []

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~~Top Secret~~**Motives**

The harder line follows a series of reverses suffered by the regime since President Ortega's trip to Moscow in late April. [redacted]

[redacted] Newly elevated Cardinal Obando y Bravo increased his criticism of government policies and called for negotiations with the insurgents, which raised fears that the Church might serve as a link between the internal opposition and the rebels. Other opposition groups also became more active, and the insurgency spread to new areas in late summer. In addition, the US embargo and resumption of aid to the insurgents, along with Latin American and West European criticism of regime policies, contributed to Managua's siege mentality. [redacted]

Even while cracking down on the opposition, the Sandinistas are still trying to absorb or divide opponents. The progovernment majority in the National Assembly lifted some minor restrictions to mute criticism from other legal parties. [redacted]

Outlook

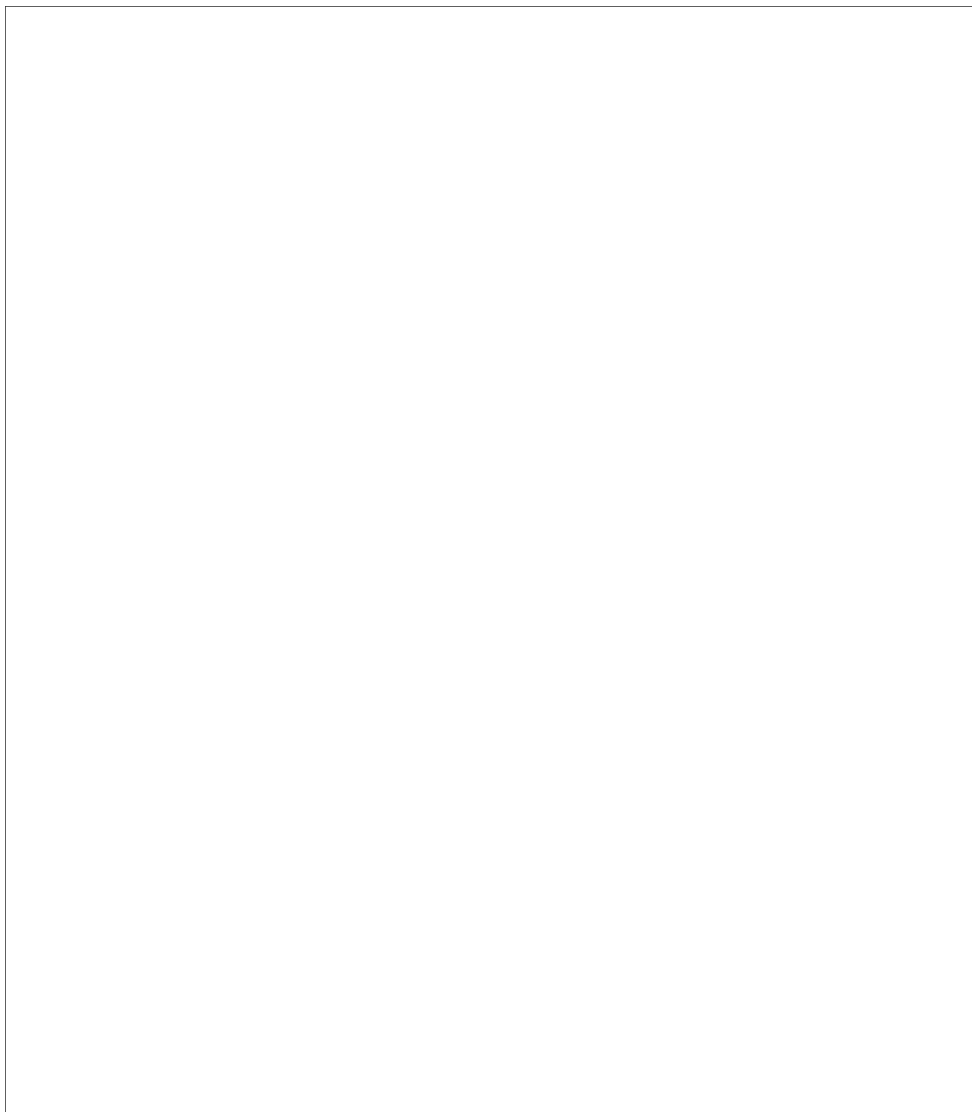
The Sandinistas are unlikely to ease their pressures on the domestic opposition over the near term. The expanded state of emergency provides the basis for suppressing dissent while the regime concentrates its attention on defeating the insurgents. The government will take particular pains to undercut the influence of Cardinal Obando, whom it sees as the one person able to galvanize resistance to Sandinista rule. [redacted]

The regime ultimately may lift less important restrictions to keep its opponents off balance and to placate friendly governments in Latin America and Western Europe. Nonetheless, another cycle of harsh treatment almost certainly would be close behind. Western economic and diplomatic levers appear increasingly ineffective in constraining Sandinista actions. [redacted]

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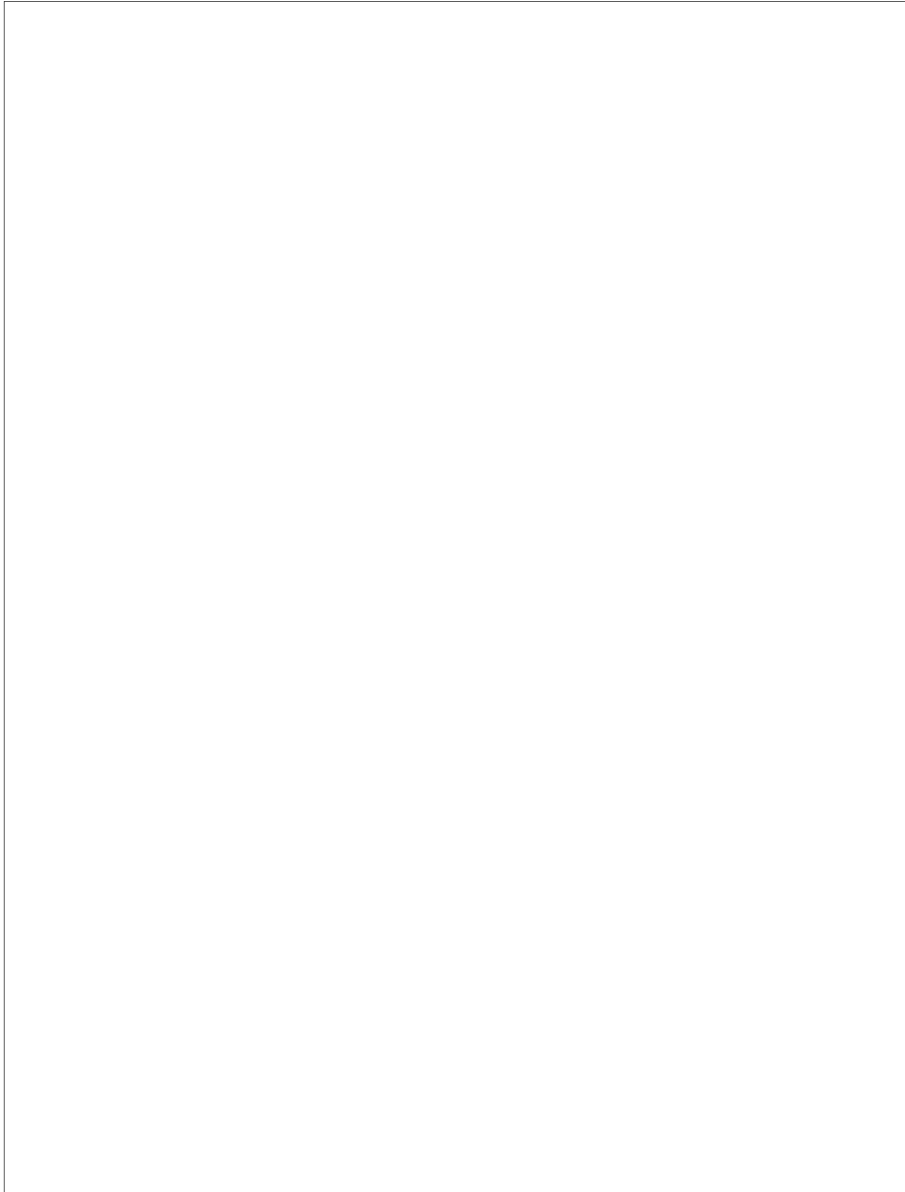


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~~Top Secret~~**Special Analysis****NICARAGUA:****Sandinistas Cracking Down**

Under a growing siege mentality, Managua has increasingly harassed and intimidated its opposition since the expansion of the state of emergency last month as it tries to stifle dissent and preclude challenges to its policies. Actions taken against opponents, including the Catholic Church, underscore the Sandinistas' intention to shut down democratic expression. The regime may make conciliatory gestures to blunt criticism and win over waverers but is unlikely to relax controls significantly.

The Sandinistas have, in a flurry of recent moves:

- Detained and interrogated more than 40 political and business leaders, religious workers, opposition press officials, and local employees of the US Embassy.
- Required the independent human rights commission to submit all letters and reports for censorship.
- Occupied the social services office of the Church and prohibited printing literature.
- Tightened censorship of the independent newspaper *La Prensa* and barred its journalists from government meetings.
- Canceled the radio program of a small opposition party, which now has threatened to withdraw from the National Assembly.

The regime has taken a tough line on other issues as well. The recent resumption of the draft and the formation of a new military reserve reaffirm Managua's commitment to ending the insurgency, notwithstanding the risk of popular protests. Government efforts to reduce traditional Christmas bonuses and official admission that the economy is in ruins probably are meant to prepare the population for new hardships. Sandinista statements also have shown a tougher stand on Contadora and link acceptance of the latest treaty draft to concessions by the US.

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[redacted]**Special Analysis****USSR: Reorganization of Council of Ministers**

General Secretary Gorbachev is moving toward the first extensive reorganization of the Council of Ministers in 20 years. Consolidation of five agro-industrial ministries into a new superagency has been announced, and more modest steps have been taken to integrate the management of civilian machine building. These moves will help Gorbachev purge the ministerial bureaucracy, bring in more competent and loyal managers, and bend the bureaucracy to his will. The reorganization may encourage the central authorities to focus on broad economic tasks and may pave the way to transfer additional authority to the enterprise level. [redacted]

Since succeeding Chernenko in March, Gorbachev has frequently criticized the ministries for their narrow, departmental approach to economic problems and for their excessive intervention in the day-to-day operations of factories and farms. He has called for measures to improve interagency coordination, to trim the central bureaucracy, and to increase the prerogatives and responsibilities of industrial and agricultural enterprises, beginning with the agro-industrial and machine-building sectors. [redacted]

Changes in Agro-Industry

Soviet media reported on Friday that the Presidium of the Supreme Soviet has approved a proposal to concentrate the planning, financing, and management of the agro-industrial sector in a single agency. The new superagency will replace five ministries and a state committee. [redacted]

The new agency will be headed by Vsevolod Murakhovskiy, a Gorbachev protege and new first deputy premier. Murakhovskiy may be in line for Politburo membership—a status which first deputy premiers have frequently attained. [redacted]

Machine Building and Other Areas

Gorbachev also has begun to restructure management in civilian machine building—a sector critical to his economic game plan. A recent Politburo decision created a "bureau" empowered not only to issue instructions to the machine-building ministries but also to redistribute resources among them—a power never provided to earlier coordinating agencies. [redacted]

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While no consolidation is yet evident in machine building, the new bureau has probably been charged with developing such a plan. [] more superagencies will be created to deal with energy, transport, electronics, construction, and other sectors. []

Outlook

While Gorbachev probably is eager to move ahead on the reorganization, he is likely to proceed carefully in extending it to the entire economy to minimize the backlash from the bureaucracy and economic disruption. As he proceeds, Gorbachev will have an opportunity to break the ministries' grip on economic policy, root out deadwood, and appoint his own people to run the new superagencies. []

The creation of new agencies with a broader charter would strengthen the central authorities' ability to deal with economic tasks that cut across administrative boundaries and, especially if accompanied by moves to reduce the bureaucracy's size, open the way for a transfer of additional power to make decisions to the enterprise level. []

The ministerial reorganization, however, represents but one facet of Gorbachev's economic program. While a reorganized and revitalized bureaucracy may result in better economic management, the Soviets' ability to meet Gorbachev's ambitious economic goals will continue to be constrained by systemic problems, including the inadequacy of economic incentives, the lack of consumer input into production decisions, and the irrationality of prices. []

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~~Top Secret~~**SOUTH AFRICA:****Results of Party Caucus**

The ruling National Party broke little new ground on racial reform at a nationwide caucus this week, although the meeting prompted rumors that imprisoned African National Congress leader Nelson Mandela is to be released.

At a closed-session caucus on Tuesday, party representatives unanimously approved a broadly worded motion endorsing government policies, including negotiations with blacks on constitutional development and other reform moves. President Botha received a full vote of confidence despite earlier reports that some members who favor more rapid reform might disrupt the caucus.

the caucus decided in principle to release Mandela on humanitarian grounds. Mandela has recovered from recent surgery, according to press reports, but remains in a South African hospital, causing speculation that the government does not plan to return him to prison.

Meanwhile, an influential international banker plans to inform Pretoria soon that bank creditors will impose a 10-year debt repayment scheme unless Pretoria presents a detailed plan for racial reform by the end of the year. Talks between government officials and bankers to reschedule some \$14 billion of South Africa's foreign debt—on which Pretoria froze repayments in September—have been postponed from next week until early next year.

Comment: Pretoria probably will not back down from its previous offer to free Mandela only if he renounces violence—something Mandela is unlikely to do. The government might release and banish him from South Africa to avoid the domestic reaction that would result if he should die in jail. Mandela's unconditional release cannot be ruled out, however, because some senior government officials reportedly believe that it would help allay the unrest.

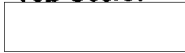
Releasing Mandela also would help mollify foreign bank creditors who are targets of antiapartheid protests in their countries. An explicit link by creditors between a bilateral debt accord and racial reform, however, would complicate debt talks by angering Pretoria. Bank creditors probably are overestimating their leverage because Pretoria probably would respond stubbornly by working to make the South African economy more independent.

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~~Top Secret~~**Special Analysis****PLO: Reaction to Arafat's Cairo Declaration**

PLO Chairman Arafat has apparently decided to allow PLO hardliners and moderates to interpret for themselves the meaning of his recent declaration in Cairo suggesting that the PLO was renouncing some terrorism. In this way, he probably hopes to avoid splits within the PLO Central Council and Executive Committee during their meetings in Baghdad, scheduled to begin this weekend.

Since his visit to Cairo earlier this month, Arafat has referred to his statement on terrorism only briefly and vaguely. He has denied Egyptian claims that Israel is now out of bounds for PLO operations, but he maintains that the PLO's decision in 1974 not to engage in international terrorism remains in force. Fatah Western Sector head Khalil al-Wazi has stated that Israeli targets are not covered by the declaration.

With the exception of the Syrian-backed Palestinian radicals, most PLO groups support Arafat's declaration and subsequent comments because they allow for wide interpretation. Even senior Fatah hardliners who publicly reject the accord with Jordan have not condemned the declaration. West Bankers applaud Arafat's statement, viewing it as a tactical move to improve the climate for peace negotiations.

The US Embassy reports that Jordan's King Hussein welcomes Arafat's gesture but has told him that the PLO must do more. He made clear in recent talks his conviction that the PLO should accept UN Resolution 242/338 and that the PLO Executive Committee should publicly renounce terrorism.

Arafat probably will "respond" to Hussein's demands by encouraging the meeting in Baghdad to endorse the ambiguous Cairo Declaration and to reaffirm the Jordan-PLO accord. Arafat is uneasy about Jordan's new dialogue with Syria, but his concern probably is not great enough at this point to cause him to urge PLO support for Resolution 242/338. The PLO leader probably assumes that senior Fatah officials remain adamantly opposed to such a move now, and he is unlikely to risk their opposition by acting on his own.

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~~Top Secret~~**In Brief****Africa**

- **Sudan** embarrassed by US travel advisory, drawdown of Embassy personnel . . . Prime Minister promised [] to review security but apparently does not share US concerns . . . Khartoum limited in ability to implement effective security measures. []

Americas

- Antiregime demonstration in **Chile** Thursday attracted about 500,000 . . . largest ever, but violence minimal . . . [] outcome strengthens efforts of moderate opposition to induce government to negotiate transition to civilian rule. []

East Asia

- **South Korea** pressing charges against all 191 students who seized ruling party building . . . break from practice of indicting only ringleaders may aggravate student violence . . . opposition supplying legal defense, attacking Seoul's overreaction. []

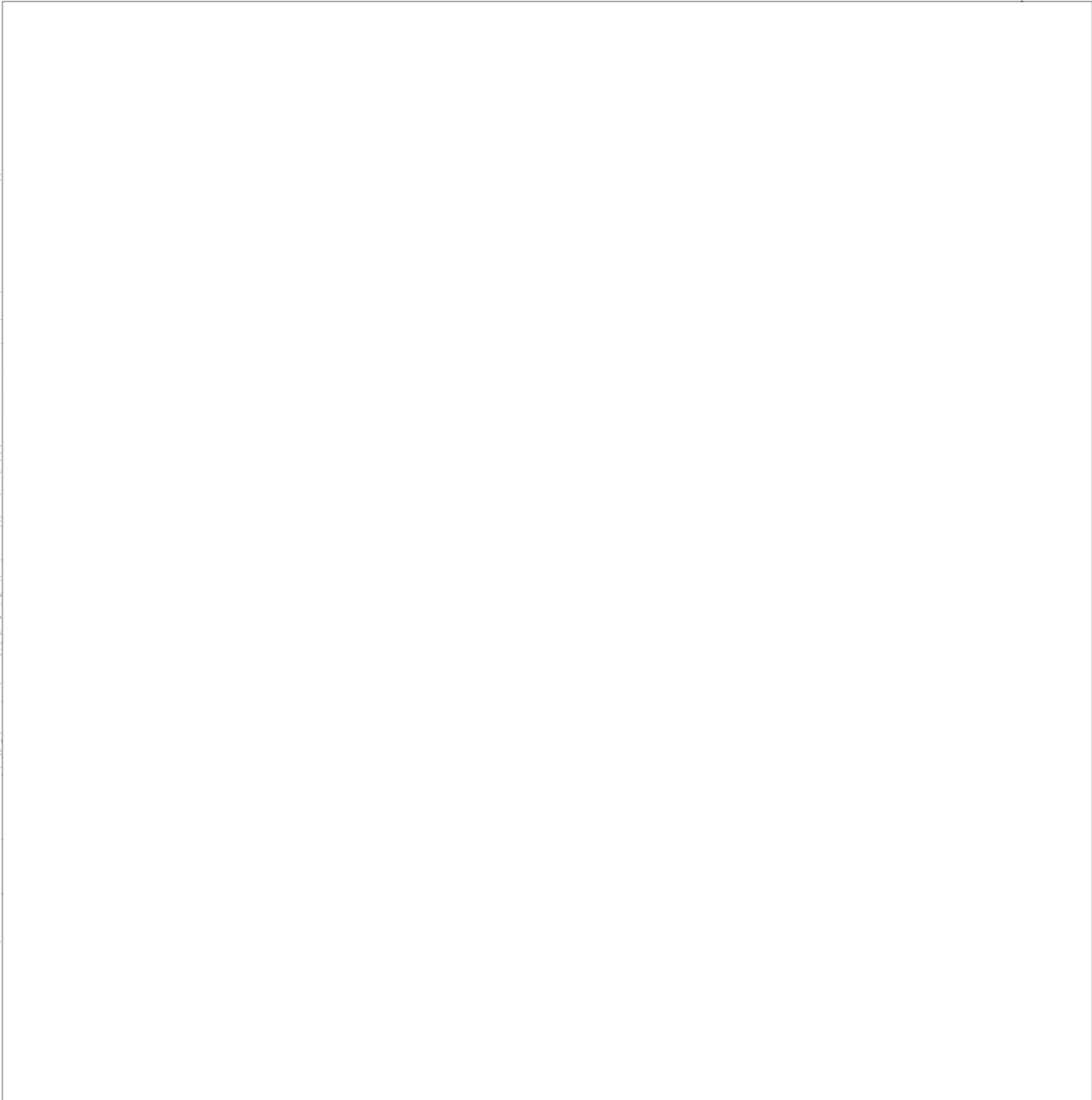
Europe

- **Greek** Press Minister, state TV chiefs resigned Thursday in apparent controversy over graphic coverage of labor demonstrations and violence . . . resignations appear to be latest sign of Socialist divisions over domestic policies. []
- **Greek** Deputy Foreign Minister Kapsis told EC Ambassadors this week Greece is ready to take part in NATO southern Aegean exercises . . . has not participated in NATO exercises since 1984 . . . possible softening of position on Aegean, NATO issues. []
- Yesterday's **Czechoslovak** party newspaper did not carry usual anti-US diatribes . . . presumed fallout from Gorbachev briefing in Prague . . . East European diplomat says Pact meeting designed to mirror President's consultations with NATO. []

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[redacted]**CHILE: Pinochet's Economic Problems**

The government is worried that current economic policies and projected growth of less than 2 percent this year will aggravate unrest and further weaken President Pinochet politically. [redacted]

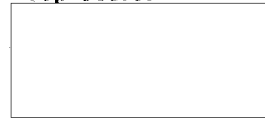
[redacted] Chile's economic performance has been hurt by prolonged delays in negotiating a debt package. Some senior military and political advisers are urging him to stimulate the economy, and he has responded with a wage hike and has increased protection for domestic industry. [redacted] Pinochet may replace his economic team next year. [redacted]

Comment: The delays in disbursements of funds from Chile's recently concluded debt package could reduce growth even more and shrink real wages for the fourth year in a row. This slump, coupled with continuing political protests and uneasiness within the armed forces, might persuade Pinochet to change his economic team sooner and revert to expansionary policies. Such actions, however, would risk alienating foreign creditors and raise the danger of a foreign exchange crisis. [redacted]

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